

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHEG #0195/01 0421606  
ZNY CCCCC ZZH  
R 111606Z FEB 10  
FM AMEMBASSY CAIRO  
TO RUEHC/SECSTATE WASHDC 0225  
INFO RUEHEG/AMEMBASSY CAIRO  
RUEHTV/AMEMBASSY TEL AVIV 0002

C O N F I D E N T I A L CAIRO 000195

SENSITIVE  
SIPDIS  
DEPT FOR NEA/ELA, DRL/ILCSR  
DEPT PASS TO USTR/SFRANCESKI AND GSTRICKLER

E.O. 12958: DECL: 2020/02/11  
TAGS: ECON ELAB ETRD EG PGOV  
SUBJECT: FOREIGN WORKER AND LABOR PROBLEMS IN QIZ FACTORY

REF: 09CAIRO0561; 08CAIRO2528

CLASSIFIED BY: Donald Blome, Minister-Counselor, DOS, ECPO; REASON:  
1.4(B), (D)

¶1. (C) Key Points:

-The manager of a ready-made garments factory participating in the Qualifying Industrial Zones (QIZ) program told EconOff that his company has been holding the passports of foreign workers and that it fired an Egyptian employee for organizing a strike.

-This is first case of passports of foreign workers being held by a QIZ-participating employer that EmbOffs have encountered in regular visits to QIZ factories.

-Embassy Cairo has raised the issue with the GOE. The Ministry of Trade and Industry has pledged to investigate the matter, and will inform us soon of their planned response to the case.

-Despite this case, NGO's engaged in labor advocacy tell us that working conditions and labor standards are generally better in QIZ factories than in other private and public-sector factories.

¶2. (C) EconOff recently met with Oussama Abboud, the Managing Director for the Kazareen Textile Company, an Egyptian garment exporter participating in the Qualifying Industrial Zones (QIZ) program. Kazareen reports \$50 million in annual sales, with its biggest contracts coming from Wal-Mart and the New York-based Warnaco Group, the parent company for such brands as Calvin Klein, Speedo, and Chaps.

-----  
-----  
Passports of Foreign Workers Held, Strike Broken

¶3. (C) Abboud said that he legally brought in approximately 60 Bangladeshi workers to work in his factory in 2008, joining some

1,700 Egyptians on Kazareen's overall staff. (Note: Egyptian labor regulations limit the non-Egyptian workforce to 10%). Abboud bluntly told EconOff that Kazareen management held onto to the passports of the Bangladeshis. He complained that some of the Bangladeshi workers came to Egypt to use it as a "gateway" to illegally immigrate to Europe, and that about half of his Bangladeshi workers have since left Egypt for Italy via boat from Libya. The workers left Egypt without their passports, since they could not get them back from Kazareen.

¶4. (C) Abboud also said that he overcame a day-long work stoppage in April 2009 by firing the strike's leader, who had attempted to organize the workforce. With the dismissal of the strike leader, all of the other strikers returned to work, and there have been no further efforts to organize.

---

GOE Response to the Case

---

¶5. (C) EmbOffs raised the USG's concern about the holding of foreign workers' passports to two different GOE ministries. The Ministry of Manpower and Emigration (MOMM), which handles labor issues, denied that such a phenomenon exists in Egypt. However, the Ministry of Trade and Industry (MOTI), which handles the QIZ program, has pledged to investigate the case and respond.

¶6. (C) In a January 21 meeting with EmbOffs, Assistant Minister of Manpower and Emigration Mervat Wahby said that MOMM has never discovered any cases of foreign worker's passports being held in Egypt. Wahby noted that her ministry has 600 labor inspectors who monitor factory conditions in Egypt's 29 governorates.

¶7. (C) EconOff raised the issue of the alleged labor problems at the Kazareen factory to Haytham Abdel-Ghany, the Registration and Audit Manager at the QIZ Unit in the Ministry of Trade and Industry (MOTI). Abdel-Ghany expressed the ministry's concern about the alleged mistreatment, and said that the issue had been referred to Minister of Trade and Industry Rachid Mohamed Rachid to decide what action should be taken. Abdel-Ghany told us on February 10 that MOTI is investigating the case, and will inform Embassy Cairo soon of its plans to deal with the matter. Abdel-Ghany emphasized that this was an "individual case," and that MOTI had not heard of any other QIZ factory holding the passports of its foreign workers.

---

Bangladeshi Embassy Response

---

¶8. (C) Harun Rashid, Charge d' Affairs at the Embassy of Bangladesh in Cairo, told EconOff that cases of mistreatment of Bangladeshi workers, including the holding of passports, is a phenomenon that is "happening all the time" in Egypt. Rashid said that the Bangladeshi Embassy has received numerous complaints from its nationals about it in the past, but has only heard 1-2 complaints in the past year. Rashid was unsure if there had been a previous case of such mistreatment in a QIZ factory, and noted that many past cases involved non-QIZ companies. Rashid says that the

Bangladeshi Embassy does not raise complaints about such cases with the GOE, but instead appeals directly to factory managers to improve the conditions for Bangladeshi workers.

---

Labor Conditions Generally Better in QIZ's

---

¶9. (C) Local NGO's advocating for labor rights report that working conditions are generally better in QIZ factories, compared to other manufacturers in Egypt. According to the Land Center for Human Rights, a workers' rights advocacy group, salary and benefits are particularly better in QIZ factories than in other private sector factories. However, according to the Land Center, the lack of a union representation that plagues Egypt's private sector in general is also an issue in QIZ factories.

---

Comment

---

¶10. (C) This case marks the first time a QIZ company has told us directly that it holds the passports of foreign workers. In pressing for an expansion of the QIZ program, MOTI has insisted that factories operating in QIZ's uphold proper labor standards and abide by QIZ rules. QIZ Unit officials have stated that labor problems previously associated with Jordanian QIZ's have not occurred in Egypt's QIZ's, and QIZ Unit officials have been particularly sensitive to comparisons between the Jordanian and Egyptian programs. Embassy Cairo will follow up on the issue with MOTI as it prepares a response to the case.

¶11. (C) EmbOffs have visited a number of factories in the past several months, and have not heard similar reports regarding foreign workers in the factories that may employ up to 10% foreign labor, typically from South Asia. Despite this recent case, labor conditions -- driven primarily by strong compliance programs of garment buyers -- are generally better in factories participating in the QIZ program than in those not participating in the program.  
SCOBET